

Business Bookkeeping Year End Checklist

Thrive Business Group

Are your books ready for tax preparation?

Your tax return is only as accurate as your bookkeeping records. There are several things you can do to ensure your books are complete, accurate, reconciled, and ready for tax preparation.

Below is a basic Year End checklist to help you wrap up your bookkeeping for the year. Each company's bookkeeping is unique to the business so this list may include items that do not apply or may not cover specific aspects of your company's accounting records.

Balance Sheet Review: Use a Comparative Balance Sheet that shows the current year and the prior year for comparison. It helps draw attention to significant variances from year to year, which can be an indication of bookkeeping errors.

Confirm that your Prior Year Balance Sheet hasn't changed since your tax return was prepared last year. It should match your tax return from the prior year.

Reconcile all bank, credit card, and loan accounts. Make sure to resolve any uncleared/unreconciled transactions that are more than 3 months old.

Reconcile payroll liabilities and excise tax liabilities to actual year end balances.

Review Accounts Receivable Aging report – write off any uncollectible balances.

Review Accounts Payable Aging report – resolve any inaccuracies.

Verify the ending inventory balance reflects the actual cost value based on physical count.

Review any new asset entries to make sure they should be reported as assets. Purchases for \$500 or less can be recorded as expenses. (Some businesses report anything \$2,500 or less as an expense.)

Look for any accounts that have significant changes from the prior year or no change from the prior year – investigate to see if anything is missing or inaccurate

Profit & Loss Review: Use a Comparative Profit & Loss that shows the current year and the prior year for comparison. It helps draw attention to significant variances from year to year, which can be an indication of bookkeeping errors.

Look at a Profit & Loss Detail report that shows all transactions in each account. Look for unusual entries in each account. This is not an intensive detailed review or audit, just a quick look through transactions looking for oddities or anomalies that may need correcting. Also, look for & correct expense transactions that should be recorded as assets (generally greater than \$500, though some businesses use the benchmark of \$2,500 or more).

Verify revenue is reconciled to POS, Billing, or other revenue tracking system.

Verify payroll expenses (wages & taxes) agree with the year-end payroll reports and payroll tax returns.

For corporations, verify that officer wages are reported in their own expense account.

For partnerships, verify that compensation to partners for services is reported as guaranteed payments.

Verify charitable contributions are reported correctly. Only those donations that have a business purpose are deductible. Other charitable contributions are not tax deductible in a business.

Look for any expenses reported in the prior year that don't show up in the current year. This can be an indication that something is missing in your current year bookkeeping.

Add any owner reimbursements for items paid personally (mileage, cell phone, home office, etc.)

COVID/CARES Act Related Items:

Verify any PPP loan funds received are reported in their own liability account.

Verify any EIDL loan funds received are reported in their own liability account.

Verify any EIDL Grant proceeds, Whatcom Grant proceeds, or other COVID-related Grants received are reported in their own, separate income accounts.